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¶1. (SBU) SUMMARY: Guangdong Party Secretary Zhang Dejiang is poised to move to Beijing to become a Vice Premier and current Beijing Mayor Wang Qishan may become the next Guangdong Party Secretary. Beijing, which has long had reservations about whether Guangdong's leaders serve central government interests, has strengthened control over the province by assigning a new disciplinary inspection secretary from outside of the province; in addition, per national

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directives, Guangdong has reduced by half the positions of deputy party secretaries inside CPC committees. Promotion opportunities continue to favor officials with both Communist Youth League (CYL) experience and regional ethnic backgrounds in Guangdong. A semi-retired senior official at the vice governor rank has been punished to send a strong anti-corruption message to current officials. END SUMMARY.

Zhang Dejiang: Central Government Support Despite Setbacks as Governor and "Shanghai Gang" Affiliation

¶2. (SBU) Announcement is likely at the Guangdong CPC annual session in May that Guangdong Party Secretary Zhang Dejiang, who has survived a number of political crises, will take on a new position as Vice Premier in the State Council. News reports indicate that his successor might be current Beijing Party Secretary and former Guangdong Executive Vice Governor Wang Qishan.

¶3. (SBU) Zhang's tenure in Guangdong has been rocky at times. It included the SARS outbreak in 2003, during which time Guangdong authorities were criticized for concealing information, and the Dongzhou incident in December 2005, in which police killed at least three farmers during a dispute related to land compensation (reftel C). However, Zhang survived each of these crises. The central media, including CCTV and People's Daily, published footage and articles praising Guangdong's success in fighting SARS and maintaining social harmony not long after each crisis.

¶4. (SBU) Local media reports on April 3 revealed a pension scandal in Guangzhou in which RMB one billion (USD 125 million) was misused in the 1990's in failed real estate projects - half of the amount might not be retrievable. Some analysts have suggested that this

scandal might be targeted at hindering Zhang's promotion. Zhang is not likely to be hurt as the scandal occurred before his arrival and he does not bear responsibility. The official reviewing the case, Guangdong Congress' Chairwoman Huang Liman, Huang also belongs to the "Shanghai Clique," to which Zhang supposedly bellows, and should have no interest in damaging Zhang. Unlike "Shanghai Clique" member Chen Liangyu, the former Shanghai Party Secretary who is currently under investigation, Zhang has not opposed but has closely followed Beijing's decisions. When Beijing emphasized social stability and harmony, Zhang set strict local guidelines for sufficient compensation to farmers who lost their land. When Beijing promoted the concept of "a new socialist countryside," Zhang responded by stationing more than ten thousand officials in poor local villages to support local development.

¶15. (SBU) The People's Daily published an article on February 6 complimenting Guangdong's impressive success in maintaining rapid GDP growth while lowering its consumption of resources and pollution discharge for each unit of GDP produced - indirectly recognizing Zhang's implementation of the "scientific development approach" of General Secretary Hu Jintao. Zhang is also credited with initiating the "Pan Pearl River Delta Cooperation Program" in November 2003, which promotes regional economic and social cooperation and integration among provinces in South and Southwest China plus Hong Kong and Macao.

¶16. (SBU) Other positive signs for Zhang are his previous assignments heading central CPC delegations on overseas visits; this is one way Beijing is able to observe how well a future national leader will perform and to introduce him/her to the outside world. During the past five years, Zhang has headed central CPC delegations to South America (November 2003), Africa (October 2004), and the Middle East (June 2006).

¶17. (SBU) Congenoff's interlocutors from business circles who have

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close relations with local provincial leadership also mentioned early this year that Zhang is almost certain to move up to Beijing, the only question being which position he would take. Since Chen Liangyu is already out, the "Shanghai Clique" may see in Zhang a defender of its prerogatives.

Wang Qishan: Beijing Mayor with Guangdong Background Tops List for Party Secretary

¶18. (SBU) Reuters released a news report on April 3, citing two sources in Beijing, predicting that Wang Qishan would become Guangdong's next Party Secretary. Before assuming his current position as Beijing's Deputy Party Secretary, Deputy Mayor and then Mayor, the 59-year old Wang was Executive Vice Governor (in charge of finance) and CPCC Standing Committee Member in Guangdong from 1997 to 2000. Wang, the son-in-law of the late CPC senior official Yao Yilin, has considerable central and local administration experience, financial industry expertise and an academic background in both rural and financial research. In Guangdong, he was responsible for handling the aftermath of the disastrous bankruptcy of the Guangdong International Trust and Investment Co., which had borrowed heavily from overseas financial institutions and invested in local projects, most of which were failures.

Guangdong CPC Committee: Trimming Deputy Party Secretaries, Appointments from Beijing to Disciplinary Positions

¶19. (SBU) Guangdong is following a national directive to reduce the number of its deputy party secretaries to two. Of the original five deputy party secretaries, one was transferred to Zhejiang and two received new appointments to less powerful organizations and may soon lose their titles as deputy party secretaries. The two remaining positions are those of Huang Huahua, Guangdong Governor, and Liu Yupu.

¶10. (SBU) Wang Huayuan, former Deputy Party Secretary of Guangdong, was transferred to Zhejiang as the province's Standing Committee

Member in charge of disciplinary inspection. No new deputy party secretary was appointed to fill his vacancy. In November 2006, Zhu

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Mingguo (born 1957) was transferred from Chongqing to become a Guangdong Standing Committee Member, taking over Wang's disciplinary inspection responsibilities.

¶11. (SBU) Cai Dongshi and Ou Guangyuan, though retaining their titles as Guangdong Deputy Party Secretaries, are expected to soon leave the Standing Committee following their assignments as Vice Chairs of Guangdong's CPPCC and Congress, respectively, in February ¶2007. This year Cai will be 60 years old and Ou will be 59, thus reaching or soon to reach retirement age. Assignments to less important positions in the CPPCC and Congress signify a departure from the core power circle. Similar staffing patterns of one party secretary and two deputy party secretaries have already been

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established in CPC committees at the municipal and district levels throughout Guangdong.

¶12. (SBU) In recent years, Beijing has attempted to strengthen its control over local provinces, particularly in significant economic areas such as Guangdong, by appointing officials from outside the province to hold key positions in the provincial standing committees. For example:

-- Guangdong's current Deputy Party Secretary Liu Yupu originally worked in Shanxi and came to Guangdong in 2000.

-- Guangdong's current Organization Department's Director General Hu Zejun came from the Justice Ministry and landed in Guangdong in ¶2004.

-- Now, Zhu Mingguo, also from outside Guangdong, is taking over Guangdong's anti-corruption authority and will help the central government supervise Guangdong, which is known for its resistance to Beijing's control. Zhu spent most of his career in Hainan with a background in law enforcement and CPC personnel issues. In 2001, he was transferred from the position of CPC Standing Committee Member and Vice Governor of Hainan to become a Standing Committee Member in charge of law enforcement as well as the Director General of Chongqing's Public Security Bureau (PSB).

-- Also new to the CPC Standing Committee, and with a Beijing background, is Lin Xiong, the new Director General of the Guangdong Propaganda Department. Lin (born 1959) spent his early career in the State Council and then became a Director General-ranking secretary and is said to have worked for Wen Jiabao. He came to

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Guangdong in 1994 and worked in several prefectures including Dongguan, Maoming, and Zhaoqing. His last position was as Party Secretary and NPC Chair of Zhaoqing.

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-- Lin's predecessor, Zhu Xiaodan, who is still a Standing Committee Member and has a CYL background, assumed the position of Party Secretary of Guangzhou in July 2006.

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-- Liang Guoju (born 1947), former CPC Standing Committee member in charge of law enforcement and justice issues and the Director General of the Guangdong PSB, took a new job as a Vice Chair of the CPPCC. This move indicates that he is likely to leave the CPC Standing Committee and PSB position because of his age.

-- A police contact told us that Liang's successor will be Zhu Suisheng, current Deputy Director General of Guangdong PSB and former Director General of the Guangzhou Municipal PSB. Zhu Mingguo, Lin Xiong, and Zhu Suisheng are likely to serve in the new Standing Committee to be elected in May.

Vice Governorships Maintain Hakka and Chaoshan Ties

¶13. (SBU) The Guangdong government has promoted three vice governors since 2006: Tong Xing, Lin Musheng, and Huang Longyun. Former vice

governors You Ningfeng and Xu Deli resigned because of age in February 2006. Tang Bingquan, Executive Vice Governor born in 1949, is supposed to retire soon and join You and Xu to leave room for the newcomers.

¶14. (SBU) Senior homegrown leaders in Guangdong are from three main areas: the Hakka area in the north, including Meizhou, Shaoguan, and Heyuan; the Chaoshan area in the east, covering Shantou, Shanwei, Chaozhou, and Jieyang; and the Pearl River Delta (PRD). The Hakka and Chaoshan areas have their own dialects and cultures and are known for their strong preference for cadres from the same hometowns. Senior officials representing these areas always hold important positions at the provincial level. Promotions of these officials have not necessarily been tied to their competence in developing the economy, since the Hakka and Chaoshan areas remain economically backward. The most prominent official from the Hakka area is current Guangdong Governor Huang Huahua, and the Chaoshan area was represented by the late former Party Secretary Xie Fei. Officials with CYL ties who also come from these areas were blessed during the recent vice governor promotions in Guangdong.

¶15. (SBU) New Vice Governors:

-- Huang Longyun, who is a Standing Committee Member of the Guangdong CPC, is now Guangdong's Executive Vice Governor. He is a native of Meixian in the Hakka area. Huang spent most of his early career in the Guangzhou Steel Factory, which was a source of many senior Guangzhou officials from 1973 to 1991. His principal experience includes serving as the Party Secretary and Mayor of Zhuhai and later Foshan. His Hakka background is helpful as he fills the position left by You Ningfeng, also a Hakka native.

-- Lin Musheng (born 1956), was the former Party Secretary of Shantou. He spent 10 years in the Guangdong CYL from 1985 to 1995, and has been the Secretary of the Guangdong CYL since 1991. He is a native of the Chaoshan area. He was Party Secretary and Mayor of Shantou and Jieyang from 1995 to 2006 and is believed to have been selected to replace retired Chaoshan Vice Governor Xu Deli.

-- Tong Xing (born 1951), is the former Party Secretary of Dongguan. He spent his early career in Guangdong's CYL from 1977 to 1990, becoming Deputy Secretary. In Dongguan, where he spent 16 years, Tong upgraded the city's industrial structure to take on a more high-tech and value-added dimension.

Corruption: Beijing Sends a Message in Case of Retired Senior Official

¶16. (SBU) Guangdong filed 3,743 investigation cases in 2006 against officials who violated the law, according to the Guangdong CPC Disciplinary Inspection Committee. The committee punished 23 cases involving 23 officials at the director general rank, and 224 cases involving 236 officials at the division chief rank. In all, cases involving 686 officials were transferred to the PSB for criminal penalties.

¶17. (SBU) The most senior official punished recently was Liu Weiming, Executive Vice Chair of the Guangdong CPPCC and former Vice Governor of Guangdong. Liu was sacked from the Guangdong CCPCC in January for "serious violations of discipline." Liu also lost his CPC membership and national delegate qualification. According to

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Xinhua, Liu, who is said to be the nephew of the late President Liu Shaoqi, helped his son obtain a lucrative loan from a provincial state-owned enterprise for a real estate project in Shenzhen in ¶1992. It is very unusual for the CPC to punish a semi-retired senior official for a misdemeanor occurring 15 years ago. Similar cases in which retired corrupt officials were punished have also occurred recently in Henan and Jiangsu. These cases are believed to be serious warnings from Beijing to provincial and local officials.

Comment

¶18. (SBU) Beijing is likely to continue to tighten its control over Guangdong through official appointments and anti-corruption efforts.

However, the CPC personnel appointment mechanism has shown little improvement in its overall transparency and fairness. The appointments of Guangdong Vice Governors Tong Xing and Lin Musheng show that officials with CYL backgrounds continue to be favored for promotion.

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